

# Central & Eastern Europe Commercial Update

A publication of the U.S. Department of Commerce, International Trade Administration,  
Central and Eastern Europe Business Information Center (CEEbIC), in cooperation with  
the U.S. Agency for International Development

January/February 2003

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## Calendar of Events

### February

2/4–2/8  
**Alpe Adria**  
Ljubljana, Slovenia

2/5–2/9  
**Vinaria**  
Plovdiv, Bulgaria

**March**  
3/3–3/9  
**Home**  
Ljubljana, Slovenia

3/13–3/16  
**Ecology Fair**  
Celje, Slovenia

3/17–3/21  
**Automotive Parts and  
Services Trade Mission**  
Hungary, Poland, and Slovakia

3/26–3/30  
**Ecotourism: Nature,  
Hunting, Fishing**  
Plovdiv, Bulgaria

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CEEbICnet:

[www.export.gov/ceebic](http://www.export.gov/ceebic)

## A Sea of Baltic Opportunities

*In the heart of the Baltic Sea region lie the countries of Estonia, Latvia, and Lithuania. Since gaining their independence from the Soviet Union in 1991, these three countries have made vigorous strides to privatize industries and establish legal systems conducive to trade and protective of investments. As a result of these efforts, all three of the Baltic states have been included in the group of 10 countries scheduled to join the European Union in 2004.*

*While each of the Baltic states shares the goals of joining the European Union and developing commerce, they have different commercial policies and economic strengths. The key to the region is identifying these strengths and navigating the sea of opportunities.*

### Estonia

Estonia is the northernmost of the three Baltic states and is bordered by the Baltic Sea, the Gulf of Finland, Latvia, and Russia. This country of 1.4 million people, one of Europe's most progressive and open economies, has created a sound legal structure and favorable foreign-investment environment, placing itself at the forefront of EU enlargement.

Despite the global economic slowdown in 2001, Estonia's GDP grew 5.4 percent. The Estonian economy remained strong throughout 2002. The projected GDP growth in 2003 is 5 percent.

The key to Estonia's success, thus far, has been its approach of providing an atmosphere conducive to trade. Most imports enter duty-free, with the exception of agricultural goods. Non-agricultural goods are only subject to a \$20 customs-handling fee. (However, when Estonia joins the European Union, it will adopt the common external tariff rates of the European Union.)

In 2001, U.S. exports to Estonia totaled \$121 million and consisted mainly of electrical machinery, boilers, transmission/recording apparatuses for radio and television, and medical and surgical instruments. This is a modest figure, but it is likely to increase in the coming years. Most of the Scandinavian countries, along with Germany and the other two Baltic states, are major suppliers of imports to Estonia.

Foreign direct investment (FDI) has played a considerable role in Estonia's development. In 2000, FDI in Estonia totaled \$2.84 billion, the majority of which came from Sweden and Finland. The United States is the fourth-largest

investor in Estonia, contributing more than \$120 million annually.

The current level of investment can be attributed to the government of Estonia's highly favorable attitude toward FDI.

The government has sought to maintain liberal policies and establish free trade agreements to attract investments that can produce exports directed to the European Union, Central and Eastern Europe, and countries of the former Soviet Union. Estonia offers a number of advantages to investors, including its strategic location and relatively low corporate taxes.

Trade between the United States and Estonia has grown slowly over the last decade.

There are many ways for U.S. companies to benefit from doing business in the Baltic states, and there are several sectors in the Estonian economy that hold opportunities for U.S. exports and investment. These sectors include:

- Telecommunications/IT;
- Maritime transportation services;
- Port management;
- Mechanical engineering and metalworking.

### Latvia

Latvia, situated between Estonia and Lithuania, and sharing borders with Belarus and Russia, is as integrated economically as it is geographically in the Baltic region. About half of Latvia's overall trade takes place within the region. In addition, trade with the European Union has increased 18.2 percent over the last five years. Also within this time frame, the Latvian economy has grown more than 25 percent, with average GDP growth

*(Continued on page 6—Baltic Opportunities)*

# Eye on Southeast Europe



*Despite the difficulties and hardships, Albania has made considerable progress in achieving macro-economic stability and financial sustainability, as well as in moving toward a market-based economy.*

## The Albanian Business Climate

Albania (population 3.1 million) has a small but growing economy that is transitioning to a free market while recovering from civil insurrection that followed the collapse of pyramid schemes in 1997. Albania's half-century of isolation and its history of centralized planning left the country poor, underdeveloped, and in dire need of investment. Although Albania is underdeveloped, there are limited obstacles to market entry. Savvy investors may well find that there are significant opportunities in Albania.

Despite the difficulties and hardships, Albania has made considerable progress in achieving macroeconomic stability and financial sustainability, as well as in moving toward a market-based economy. Output growth has been strong, inflation has remained under control, and the external reserves position has improved markedly. Key elements underlying this performance include enhanced fiscal management, especially with regard to revenue administration, wide-ranging structural reforms, and the Bank of Albania's steadfast pursuit of price stability.

Albania has made significant improvements in its infrastructure, and it is also working to privatize potentially lucrative telecommunications, energy, banking, and mining companies. It has a well-educated work force, an entrepreneurial population, and is near larger European markets. U.S. products and companies are highly regarded by Albanian consumers, and the Albanian government is eager to attract U.S. investment.

## Reality Check

There are, however, serious challenges to doing business in Albania. Corruption is widespread in both business and government circles. The government can tie projects up in red tape, or withhold necessary licenses and support, so that projects never get off the ground.

U.S. companies seeking to market and distribute goods can find a considerable number of merchants, agents, middlemen, wholesalers, and retailers available in Albania. Most distribution channels are in place, though with a lesser degree of sophistication than in more advanced European markets. The most significant commercial area in Albania is its capital, Tirana (with a population of more than 700,000). Other commercial centers include Korca (population: 97,139), Durrës (population: 133,691), and Shkoder (population: 96,256).

Small-scale shops dominate the retail sector in Albania. Retail outlets vary from roadside shops and open-air markets to city storefronts. While many stores specialize in goods such as shoes, leather, or bags, it is still

common to find stores with an unusual mix of merchandise (bicycles sold next to paper products and small appliances, for example). Retail is dominated by private companies. Many of the shops carry Italian and Greek goods. Fruits and vegetables are typically sold at open-air, non-refrigerated public markets.

Consumer-oriented trade shows are an important part of the retail scene. Frequent sector-specific events, such as food shows and consumer electronics shows, attract local and regional participants and exhibitors.

## Improving Outlook

In 2001, U.S. exports to Albania totaled \$15 million. Some of the top export sectors to Albania for U.S. companies are building products and materials, energy, transportation, information technologies, telecommunications, agricultural machinery and equipment, hotel and restaurant equipment, poultry, seeds, and fertilizers. Overviews of commercial opportunities in each of these sectors can be found in the "Leading Sectors for U.S. Exports and Investment" section of the *Country Commercial Guide* for Albania, prepared by the U.S. Commercial Service and the U.S. Department of State. For additional information about doing business in Albania, visit the CEEBIC Web site, [www.export.gov/ceebic](http://www.export.gov/ceebic), and consult not only the *Country Commercial Guide* for Albania, but also how-to-export information, market research reports, and trade and investments leads.

Financing and insurance for exports, investment, and development projects in Albania are possible through U.S. agencies such as the U.S. Trade and Development Agency, U.S. Export-Import Bank, Overseas Private Investment Corporation, European Bank for Reconstruction and Development, International Bank for Reconstruction and Development, International Finance Corporation, Multilateral Investment Guarantee Agency, and the Soros Equity Fund.

To keep abreast of the latest commercial developments in Albania, U.S. companies can subscribe to the *Southeastern Europe Business Brief*, a weekly CEEBIC e-mail publication that highlights the latest economic and commercial news and opportunities in Albania and the other countries of Southeast Europe.

Watch for the April issue of the *Central and Eastern Europe Commercial Update*, which will feature an overview of the information technology sector in Albania and commercial opportunities for U.S. companies.

# European Union Accession Extras

## Lithuania Votes on Euro



The Lithuanian parliament has voted to adopt amendments to legislation on foreign currency, effectively eliminating a provision that defines the litas as the sole legal tender in Lithuania. Use of the euro will be permitted by mutual agreement for both cash and non-cash settlements. Settlements in foreign currencies will also be allowed in non-cash transactions. The move is intended to ease transactions when banks are closed, for instance, and there is no place to exchange currency. Source: RFE/RL.



## Small Business Development in Candidate Countries



Education and training for entrepreneurship has received a boost in the Czech Republic since last year, according to responses to an EU survey. The Czech Republic says education and training for entrepreneurship has improved, with more emphasis on the needs and requirements of small- and medium-sized enterprises in study materials for colleges, technical schools, and universities. The Czech results also show that new legislation has been enacted to ease quick and inexpensive establishment of new companies. The Czech Republic says it is bringing itself in line with EU internal market reforms so as to ensure a climate that is friendly for small businesses. Business and innovation-related information is being circulated more effectively. Based on the information from the Czech Republic and the other candidates, the European Commission will publish its first *Charter Report* on the region in January 2003, at the same time as the report on EU member states. Source: *Enlargement Weekly*.

## Around the Region

### Slovakia: Further Energy-Sector Liberalization



During its four-year term in office, the Slovak cabinet will consider acceleration and liberalization of the energy sector as its priority. The cabinet also plans to create conditions for the establishment of a power distribution market operator with transparency and non-discriminatory conditions on the market. Source: SITA.

### Slovenia: Privatization Plans



The Slovenian parliament is now considering a program for the sale of state-owned property in 2003 and 2004, which includes privatization of several major companies, including Telekom Slovenije, Aerodome Ljubljana, and others from the electricity, steel, oil, and manufacturing industries. The privatization of Telekom Slovenije is still in early stages, and it does not have a supervisory commission yet, as is the case for the Nafta Lendava oil refinery, which will be sold only after the current restructuring is completed. Privatization of Aerodome Ljubljana and the Port of Koper depends on contracts on state-owned land, concession agreements with the state, and settlement of other mutual rela-

tions. The program looks to find a key investor to ensure long-term development of one of the industries at stake, the power distribution industry, to maintain reliability during and after liberalization of the electricity industry. Source: *Slovenia Business Week*.

### Kosovo: Materials on Doing Business in Kosovo Available



The Kosovo Trust Agency (KTA) has provided CEEBIC with materials for U.S. companies interested in commercial opportunities in Kosovo. The materials include a brochure about KTA, a brochure about the privatization process, an information sheet on investment regulations, and a publication, *Top 10 Tips for Investors Coming to Kosovo*. Also available is information about companies in the following sectors: mining, wine, seeds, fisheries, breweries, hotel services, electrical component manufacturing, brick manufacturing, thermal energy, and shock absorbers. At this time, this information is not available electronically. U.S. companies interested in receiving copies of these materials should contact CEEBIC.

# Central and Eastern Europe Commercial Opportunities

## Slovakia



Priemyselny park Strazske is a subsidiary of the Slovak company, Chemko Strazske, the main Slovak producer of organic and inorganic chemistry products. Its main activity is to administer the chemical industrial zone, Strazske. The chemical industrial zone offers premises for brown-field investments and seeks investors doing business mainly in the chemical industry. The region offers qualified labor. The chemical industrial zone is situated between three districts, where the regional unemployment rate is more than 30 percent and the regional salary standard is lower than the average Slovak standard. The zone has built-up roads with asphalt surfaces, lights, pipe bridges, sewerage systems for industrial municipal and surface water, and reliable and up-to-date sources of energy with sufficient available capacity. The zone is guarded 24 hours a day.

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Web site: [www.chemko.sk/priem.park/index.html](http://www.chemko.sk/priem.park/index.html)

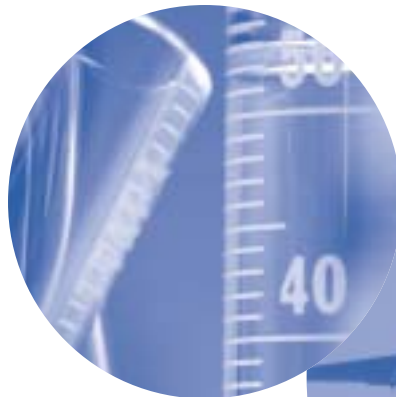
## Hungary



Airport Ground Support Equipment  
MALEV  
Lead: Tender  
Code: HS 8428.90.10.99  
Description: three pieces, towable, passenger stairs with roof and side cover (with option for the delivery of further five pieces)

Tender documents available from:  
Mr. Istvan Toth  
Sales Executive, Purchasing Department  
MALEV Hungarian Airlines  
Lurdy Haz, Konyves  
Kalman krt. 12-14  
H-1097 Budapest  
Hungary  
Tel: +36-1-235-3170  
E-mail: [toth.istvan@malev.hu](mailto:toth.istvan@malev.hu)

Tender documents can be requested by e-mail as well from Mr. Istvan Toth, against a fee of 250 euros to be paid to the account of MALEV at CIB Bank Budapest:  
Account No.  
MALEV Rt. 107  
00024-02072609-5111-00005  
Payment by bank transfer  
Shipping: delivered to Budapest  
Terms: within 30 banking days  
Terms: Ferihegy Airport  
Best way to respond: mail  
Intent: immediate purchase or delivery/investment (one to two months)  
Type: one-time purchase only





# Upcoming Events

## February

**2/4-2/8**

### **Alpe Adria**

Ljubljana, Slovenia  
International Tourism and Sports Fair  
Further information:  
Ljubljanski sejem, d.d.  
Dunajska cesta 10  
SI-1000 Ljubljana  
Slovenia  
Tel: +386-1-300-26-00  
Fax: +386-1-300-26-49  
E-mail: [info@ljublanski-sejem.si](mailto:info@ljublanski-sejem.si)  
Web site: [www.ljublanski-sejem.si](http://www.ljublanski-sejem.si)

**2/5-2/9**

### **Vinaria**

Plovdiv, Bulgaria  
International Vine-Growing and  
Wine-Producing Exhibition  
Further information:  
37, Csar Boris III – Obedinitel Blvd.  
BG-4003 Plovdiv  
Bulgaria  
Tel: +359-32-903-146, 903-551  
Fax: + 359-32-902-432, 620-511  
E-mail: [mailbox@fair-plovdiv.com](mailto:mailbox@fair-plovdiv.com),  
[exhibitions@fair-plovdiv.com](mailto:exhibitions@fair-plovdiv.com)  
Web site: [www.fair-plovdiv.com](http://www.fair-plovdiv.com)

## March

**3/3-3/9**

### **Home**

Ljubljana, Slovenia  
International fair for home, interiors, building  
construction and woodwork, heating and cooling  
devices, protection and security, ceramics, and  
bathroom equipment.  
Further information:  
Ljubljanski sejem d.d.  
Dunajska cesta 10  
SI-1000 Ljubljana  
Slovenia  
Tel: +386-1-300-26-00  
Fax: + 386-1-300-26-49  
E-mail: [Info@ljublanski-sejem.si](mailto:Info@ljublanski-sejem.si)  
Web site: [www.ljublanski-sejem.si](http://www.ljublanski-sejem.si)

**3/13-3/16**

### **Ecology Fair**

Celje, Slovenia  
Further information:  
Domen Turnsek  
Celjski sejem d.d.  
Deckova 1  
SI-3102 Celje  
Slovenia  
Tel: +386-03-54-33-204  
Fax: +386-3-54-19-164  
E-mail: [domen.turnsek@ce-sejem.si](mailto:domen.turnsek@ce-sejem.si)

**3/17-3/21**

### **Automotive Parts and Services Trade Mission**

Hungary, Poland, and Slovakia  
Further information:  
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U.S. Commercial Service  
Tel: (202) 482-3364  
Fax: (202) 482-0178  
E-mail: [monica.mcfarlane@mail.doc.gov](mailto:monica.mcfarlane@mail.doc.gov)

**3/26-3/30**

### **Ecotourism: Nature, Hunting, Fishing**

Plovdiv, Bulgaria  
International Exhibition of Alternative Tourism  
Co-organizers: National Department of Forestry,  
Tourism Council  
37, Csar Boris III – Obedinitel Blvd.  
BG-4003 Plovdiv  
Bulgaria  
Tel: +359-32-903-146, 903-551  
Fax: + 359-32-902-432, 620-511  
E-mail: [mailbox@fair-plovdiv.com](mailto:mailbox@fair-plovdiv.com),  
[exhibitions@fair-plovdiv.com](mailto:exhibitions@fair-plovdiv.com)  
Web site: [www.fair-plovdiv.com](http://www.fair-plovdiv.com)

For a more complete list of events, go to  
CEEbICnet: [www.export.gov/ceebic](http://www.export.gov/ceebic).

This notice is provided solely as an informational  
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by the organizers of those events.



## Baltic Opportunities—*from page 1*

of 4.7 percent. Despite global economic instability, Latvia achieved 6.6 percent GDP growth in 2000 and recorded even more impressive growth in 2001. The Latvian economy continues to perform well. In 2003, the GDP growth projection is 6 percent.

Latvia has only 2.4 million people, but its economic performance has been one of continued success. The Latvian government attributes this success to conservative macroeconomic policies, as well as to having the most liberal currency exchange regime of the Baltic states. These aspects, combined with the administration of laws establishing copyrights, patents, and trademarks, create a friendly and supportive environment for trade and foreign investment. Foreign trade in 2000 totaled \$5.53 billion, with imports increasing to \$3.53 billion and exports reaching \$2.03 billion. Total FDI in 2000 grew to \$1.51 billion. As Latvia continues preparations to join the European Union, the Latvian government expects these figures to increase as more and more foreign companies look toward the Baltic states as a crossroads into the European Union, Scandinavia, and northwest Russia.

Latvia has focused on a few sectors that hold specific opportunities for U.S. companies. They are:

- IT/telecommunications;
- Forestry/woodworking equipment;
- Maritime/port development.

### Lithuania

With a territory roughly the size of West Virginia and a population of 3.6 million, Lithuania is the largest of the three Baltic states. Lithuania shares borders with Latvia, Poland, Belarus, and the Russian region of Kaliningrad. Upon regaining its independence, Lithuania, like the other two Baltic nations, faced the daunting task of transforming its economy. Today, Lithuania's economy is one of the fastest-growing economies in Central and Eastern Europe. In the first half of 2002, GDP grew 5.7 percent, and the growth projections for the coming year are strong. The government's privatization efforts are essentially complete; more than 80 percent of the economy is privately owned. The banking sector has been completely privatized, with 90 percent owned by major Western banks. Lithuania's primary export destinations are Latvia, Germany, Russia, and the United Kingdom. Its major import suppliers are Russia, Germany, Poland, and Italy.

FDI has also played a major role in Lithuania's success. FDI in 2000 amounted to almost \$300 million, and within the first nine months of 2001 FDI approached \$450 million. As the

country moves toward full integration into the European Union, FDI will continue to play a crucial role in major infrastructure projects in the environmental and transportation sectors.

Lithuania has several areas in which it has a natural competitive advantage. The most attractive sectors for U.S. companies are:

- IT/computer hardware and software development;
- Pollution control equipment;
- Environmental services;
- Maritime transportation.

Latvia, Estonia, and Lithuania offer several trade and investment opportunities for U.S. companies. They all share strong economic conditions, political stability, and a commitment to regional and global trade liberalization and commercial integration. The fast economic growth and remarkable transformation over the last decade of the Baltic states underscore the importance of the region as an East-West crossroads.

This article is an abridged version of a feature in *Export America* magazine, December 2002.

Further information about the Baltic states:

### Estonia

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# Automotive Parts and Services Trade Mission

## Trip Itinerary

March 16	Arrive in Budapest
March 17	Market Briefing One-on-one Meetings Evening Reception
March 18	One-on-one Meetings Evening departure for Warsaw
March 19	Market Briefing One-on-one Meetings Evening Reception
March 20	Market Briefing One-on-one Meetings Evening departure for Bratislava
(Optional) March 21	Market Briefing One-on-one Meetings End of Trade Mission

## Participation Fee:

\$2,500 per company  
(Hungary and Poland)  
\$400 per company (Slovakia)

\*\*Fee does not include air  
travel or lodging

## Application Deadline:

January 24, 2003

## Hungary, Poland, and Slovakia

March 17–21, 2003

The U.S. Department of Commerce is organizing an automotive parts and services trade mission to Budapest, Hungary and Warsaw, Poland, with an optional spin-off to Bratislava, Slovakia. Join the mission and take advantage of this unique and cost-effective opportunity to explore and gain access to the automotive markets in Central and Eastern Europe. Hungary, Poland, and Slovakia are slated to join the EU in 2004.

## Market Highlights

Hungary: High demand exists for less expensive, medium quality replacement parts that match both the purchasing power of owners and the average condition of their vehicles. Poland: The market for car parts and maintenance products was \$2.4 billion in 2001. Poles buy much smaller cars than Americans do and tend to keep them longer. Slovakia: The automotive sector is one of the fastest growing in

Slovakia. Domestic automotive production has increased significantly, improving prospects for parts suppliers.

## Best Sales Prospects

Best prospects include repair and diagnostic equipment, shops offering glass replacement and shock absorber services, hand tools, electronic measuring equipment, lifting equipment, electronic engine control and tuning equipment, body straightening equipment.

## One-on-one Business Meetings, and More

A team of U.S. Commercial Service industry experts in these markets will identify quality business contacts from your sector and arrange a personalized itinerary of appointments for your company. As a participant, you will be provided with meeting space, in-depth market briefings, hospitality, interpreters, and full logistical support.

To request more information, fax this page to: Monica McFarlane, project manager, fax: 202-482-0178. Or call (202) 482-3364; e-mail: [monica.mcfarlane@mail.doc.gov](mailto:monica.mcfarlane@mail.doc.gov).

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

E-mail: \_\_\_\_\_ Web site: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

Service/Product: \_\_\_\_\_

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## Central & Eastern Europe Commercial Update



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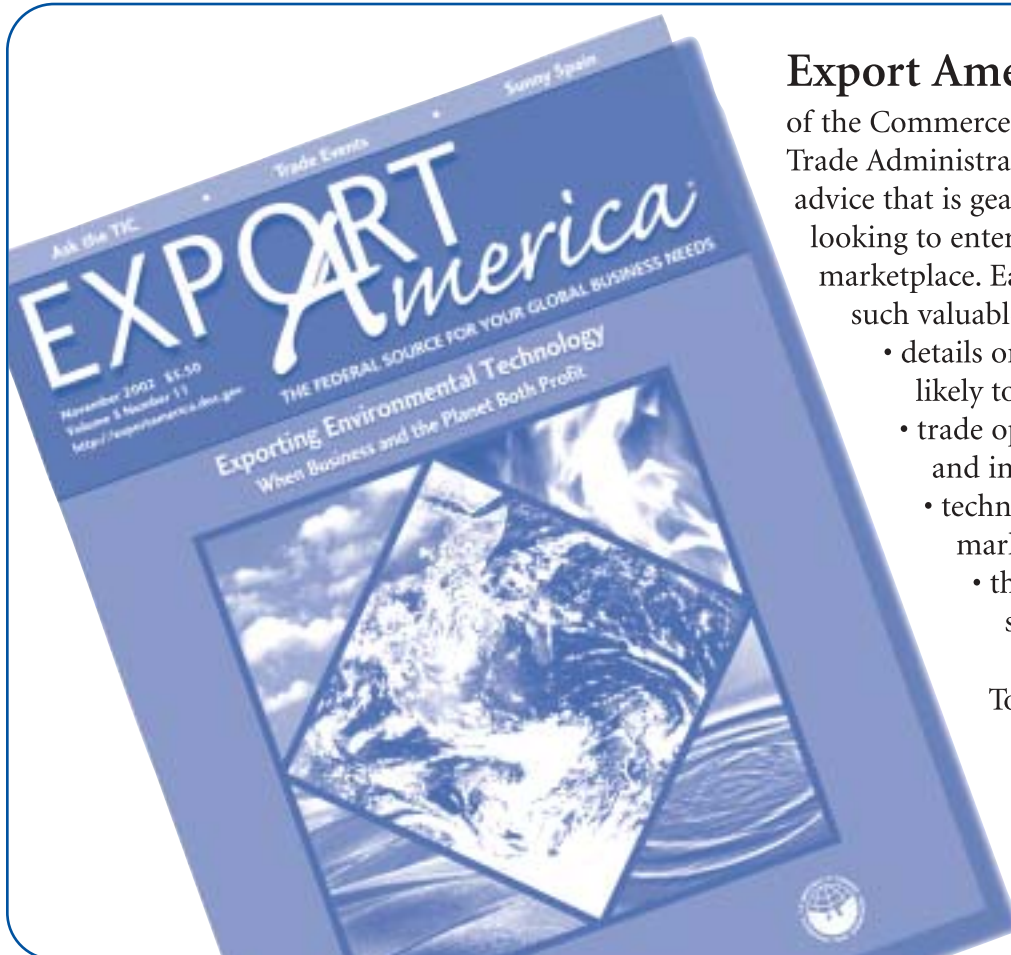
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